



A BILL FOR AN ORDINANCE

RELATING TO LIMITS ON REAL PROPERTY TAXATION.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. The purpose of this ordinance is to establish a new way of setting real property tax rates so that initially, the average real property tax bill for each property, as well as the revenues derived from each class of property, is unchanged from year to year, adjusting for inflation. This is to provide greater stability in real property taxes for both property owners and the city, helping to insulate both from wide swings in property valuations due to market forces. The mayor or the council may still propose different tax rates.

SECTION 2. Section 8-2.1, Revised Ordinances of Honolulu 1990 ("Notice of assessments—Addresses of persons entitled to notice"), is amended by amending subsection (a) to read as follows:

"(a) On or before December 15th preceding the tax year, the director shall give notice of the assessment for the tax year against each known owner, by personal delivery to the owner or by mailing to the owner on or before such date postage prepaid and addressed to the owner at the owner's last known place of residence or address a written notice identifying the property involved by the tax key and the general class established in accordance with Section 8-7.1(c) and setting forth the valuation placed upon the real property, determined pursuant to Section 8-7.1(a), the exemption, if any, allowed or denied, as the case may be, and the net taxable value of the real property. The general class of the property shall be set forth in clear and descriptive language as used in Section 8-7.1(c)(1) without abbreviation and without reference to a code of any kind on the notice of assessment. In addition, the notice shall include the applicable initial tax rate for the tax year as determined pursuant to Section 8-11.1 and the resultant tax liability for the property, and state that the tax rate and tax liability are preliminary and may be increased or decreased by the council."

SECTION 3. Section 8-11.1, Revised Ordinances of Honolulu 1990, is amended to read as follows:

"Sec. 8-11.1 Real property tax—Determination of rates.

(a) Unless a different meaning is clearly indicated by the context, as used in this section[,]:



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"Base tax year" means the tax year immediately prior to the budgeted tax year.

"Budgeted tax year" means the tax year beginning July 1 from which real property tax revenues are to help finance the proposed legislative and executive budgets.

"Class of property" means a class of real property established in accordance with subsection 8-7.1(c).

"Estimated inflation adjustment" means the factor developed by the state department of business, economic development and tourism to forecast the change in the consumer price index for all urban consumers for Honolulu from the base tax year to the budgeted tax year.

"Initial tax rate" means the preliminary tax rate for a class of property as determined in section 8-11.1(b).

"[net] Net taxable real property" means the fair market value of property determined pursuant to this chapter which the director of budget and fiscal services certifies as the tax base as provided by ordinance less exemptions as provided by ordinance and, in all cases where appeals from the director's assessment are then unsettled, less 50 percent of the value in dispute.

"Tax rate" means the dollar amount of tax levied under this chapter per \$1,000.00 of net taxable real property, computed to the nearest cent.

(b) The council shall annually set the tax rate or rates in accordance with this subsection for the classes of real property established in accordance with subsection 8-7.1(c). A resolution setting the tax rate or rates shall be adopted by the council during the same meeting at which the applicable legislative and executive budget bills are passed on third reading. The tax rate or rates shall be set according to the following procedures[:]. The procedures provide for initial tax rates for the net taxable real property within each class of property to be established by the director. The initial tax rates are established in a way that the average real property tax liability within each class of property does not change in the budgeted tax year compared to the base tax except for inflationary adjustments only.

[(1) The council shall advertise its intention to set the tax rate or rates and the date, time and place of a public hearing in accordance with law. The date of the public hearing shall be not less than 10 days after the advertisement



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is first published and shall set forth the proposed tax rate or rates to be considered by the council.

- (2) After the public hearing provided for in subdivision (1) of this subsection, the council shall readvertise and reconvene to adopt a resolution setting the tax rate or rates for the tax year for which property tax revenues are to be raised. The advertisement shall state the rate or rates proposed to be set and the date, time and place of the meeting scheduled for setting the rate or rates. The date, time and place of the meeting shall also be announced at the public hearing required by subdivision (1) of this subsection.
 - (3) If, after adopting an increase or decrease in the tax rates as provided by subdivisions (1) and (2) of this subsection, the council determines that it requires a further increase or decrease in tax rates, the council shall readvertise and follow the requirements of subdivisions (1) and (2) of this subsection.
- (c) The council shall set the tax rate for each class of real property for a tax year by using the following method:
- (1) Net taxable real property within each class shall be assigned a percentage of the total revenue to be derived from all real property.
 - (2) The percentage of revenue to be raised from net taxable real property within each class shall be multiplied by the total revenue to be raised from all real property in order to determine the amount of revenue to be derived from that class.
 - (3) The amount of revenue to be raised from each class shall be divided by the net taxable real property of that class to determine the applicable tax rate. The tax rate shall be expressed as a dollar amount per \$1,000.00 of net taxable real property.]
- (1) Tax rates for all taxable classes of property shall be initially established by the director in time for their inclusion in the notice of assessment issued pursuant to section 8-2.1 using the following method:
- (A) The director shall determine the average tax liability for each class of property for the base tax year as follows: sum the net tax liability



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for the base tax year of all parcels within the class, then divide the result by the total number of tax parcels in the class;

- (B) The director shall then determine the average tax liability for each class of property for the budgeted tax year as follows: adjust the figure determined under paragraph (A) by the estimated inflation adjustment;
- (C) The director shall then determine the amount to be raised by the initial tax rate for each class of property for the budgeted tax year as follows: multiply the figure determined under paragraph (B) for each class of property by the total number of tax parcels in the class for the budgeted tax year; and
- (D) The director shall then determine the initial tax rate per \$1,000.00 of net taxable real property in each class of property for the budgeted tax year as follows: divide the figure determined under paragraph (C) for each class of property by the assessed valuation of net taxable real property within each class of property for the budgeted tax year, then multiply the result by 1,000, then round the result to the nearest cent.
- (E) The initial tax rates set by the director shall be transmitted to the mayor and the council at the same time that the certified value of net taxable property within the city is transmitted to the council pursuant to subsection (e).
- (2) Upon receipt of the initial tax rates established by the director pursuant to paragraph (1), the mayor may propose that the initial tax rates be adopted or be increased or decreased for any class of property, provided that any tax rate proposed by the mayor to the council that increases or decreases the average tax liability for any class of property for the budgeted tax year compared to the base year by more than the greater of ten percent or the estimated inflation adjustment shall be advertised in accordance with subsection (c). The tax rates proposed by the mayor shall be set forth in the form of a resolution transmitted to the council at the same time that other revenue measures for the budgeted tax year are transmitted.
- (3) Upon receipt of the mayor's proposed tax rate resolution, the council may adopt the initial tax rates, the mayor's proposed tax rates, or propose new rates; provided that any tax rate adopted by the council which increases or



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decreases the average tax liability for any class of property for the budgeted tax year compared to the base year by more than the greater of ten percent or the estimated inflation adjustment shall have been subjected to a public hearing and advertised by the council in accordance with subsection (c).

- (c) An advertisement required by subsection (b)(2) or (3) shall be published in a newspaper of general circulation and set forth the initial tax rates, the proposed tax rates, the percentage change in the average tax liability for each class of property for the budgeted tax year compared to the base year for the initial tax rates and for the proposed tax rates. An advertisement by the mayor required by subsection (b)(2) shall be published no later than seven days after the annual budgets are transmitted to the council. An advertisement by the council required by subsection (b)(3) shall also state the date, time and place of the public hearing on the tax rates and be published at least ten days prior to the public hearing.
- (d) The council shall notify the director of budget and fiscal services of the tax rate or rates set for a tax year before the commencement of that tax year. Upon receipt of the notification, the director shall use the rate or rates in the levying of property taxes as provided by this chapter.
- (e) The director of budget and fiscal services shall, on or before February 1st preceding the tax year, furnish the council with a calculation certified by the director as being as nearly accurate as [may be,] possible of the net taxable real property within the [county] city, separately stated for each class established in accordance with [Section] subsection 8-7.1(c) plus such additional data relating to the property tax base as may be necessary. The director shall include the [sum of the value] amount of all tax credits granted under Article 13 for the current tax year and the amount of all tax credit denials appealed during the current tax year as part of the information required by this subsection.
- (f) Insofar as the validity of any tax rate is concerned, the provisions of subsection (e) of this section as to dates shall be deemed directory; provided, that all other provisions of this section shall be deemed mandatory.
- (g) Notwithstanding any provision to the contrary, there shall be levied upon each individual parcel of real property taxable under this chapter a minimum real property tax of \$100.00 a year, except for properties exempt under Section 8-10.27 and except as provided in Section 8-10.28(b)(2)."



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

BILL 12 (2006)

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SECTION 4. This ordinance shall take effect upon its approval and shall apply to the tax years beginning July 1, 2007, and thereafter.

INTRODUCED BY:

[Signature]
Aime Kabayashi

DATE OF INTRODUCTION:

JAN 19 2006

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 2006.

MUFI HANNEMANN, Mayor
City and County of Honolulu

(OCS/011906/ct)